

Thursday, February 1, 1996

Small Banks Give Thumbs-Up To Streamlined CRA Exams

By JARET SEIBERG

The revised Community Reinvestment Act rules for small banks have been in effect for only a month, but bankers and regulators are satisfied with the new exams.

"We are done with it, and it was definitely less burdensome," said Marty Pressau, the CRA officer at First National Bank of Slippery Rock in Pennsylvania. "We had only one examiner from the Comptroller's New York office. She got here on a Wednesday at 1 p.m. and left the following day at noon."

The examiner focused on the \$147 million-asset bank's loan-to-deposit ratio, file reviews, and the location of loans, he said.

"It was a lot less time-consuming," he said. "They are not requiring a lot of documentation."

First National's experience is typical of the initial reactions from other small banks, said Karen Thomas, director of regulatory affairs at the Independent Bankers Association of America.

"We are hearing that the examiners are in a learning mode," she said. "So they are trying not to be hyper technical with peo-



Karen Thomas
*Director of regulatory affairs,
Independent Bankers Association*

ple. They are not being sticklers."

She said the review of a \$100 million bank took only three days, even though it hadn't had a CRA exam for five years.

"This is a good first sign that the streamlined exam will reduce the examination burden for small banks," she said.

Examiners said they also are satisfied. "It is early in the process yet, but we have been getting positive feedback," said Bert Otto, the acting deputy comptroller for compliance management. Mr. Otto said the

agency will develop a best practices book for bankers based on the initial exams to provide examples of successful CRA efforts. The book is expected this summer.

Regulators adopted revised CRA rules last April that replaced the 12 assessment factors with a three-pronged test focusing on lending, service, and investment. Most of those rules take effect July 1, 1997.

But several provisions took effect Jan. 1. These include a streamlined review for banks with less than \$250 million in assets and a requirement that large banks collect data on the location and size of small-business loans.

While small banks reported few problems, the big banks said the new data collection requirements have not gone smoothly. One official at a large bank said his institution is still trying to computerize the data collection.

"You've got to draw data from a lot of places," the banker said. "It turns out to be pretty complex. To automate all those things on day one is not possible."

The banker said his institution is forced to collect the data manually, which is much more expensive. □